

# CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Defiance Financial Corp.

Point of Contact:	Donald Hileman	RSSD: (For Bank Holding Companies)	336917
UST Sequence Number:	108	Docket Number: (For Thrift Holding Companies)	H2513
CPP/CDCI Funds Received:	37,000,000	FDIC Certificate Number: (For Depository Institutions)	29845
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 05, 2008	City:	Defiance
Date Repaid <sup>1</sup> :	No repayment	State:	Ohio

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

We made an effort to maintain lending availability by increasing and protecting capital.

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

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☒ **Increase securities purchased (ABS, MBS, etc.).**

We grow the mortgage based securities portfolio as an alternative to lending opportunities in our markets. We looked at the cash flows available from the securities as a way to fund lending when volumes pick up.

☐ **Make other investments.**

☒ **Increase reserves for non-performing assets.**

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☒ **Reduce borrowings.**

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☒ **Increase charge-offs.**

The additional capital allows us to appropriate charge off loans and maintain strong capital levels

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We were able to avoid a capital decline due to asset quality deterioration

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**What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

We continued to advertise for loans and worked hard to acquire new clients and relationships. We might have taken a more aggressive strategy of asset sales and divestitures if not for the capital.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.